



May 16, 2012

Honorable Sally Clark Seattle City Council

Honorable Larry Gossett Metropolitan King County Council

Dear Council President Clark and Council Chair Gossett:

We are pleased to submit for consideration by the City and County Councils a Memorandum of Understanding between our governments and ArenaCo regarding the development of a state-of-the-art multi-purpose arena in the Stadium District of Seattle's SoDo neighborhood that could be home to NBA and NHL franchise teams.

This proposal meets our commitment to protect existing resources in the City and County General Funds, substantially mitigate the risk for the City and County and create a partnership that will result in a valuable investment into our community and region.

The Memorandum of Understanding is the product of a great deal of hard work by the City, County, the Arena Review Panel and Mr. Hansen's team. It includes many important taxpayer protections, such as;

- No new taxes are being sought for construction or operations;
- The project will be self-financed by using revenue that would not otherwise exist but for the operations of the arena;
- Binding non-relocation agreements for the NBA and NHL teams will be in place covering the full term of any public financing;
- A security reserve fund will be established to provide an additional layer of taxpayer protection for the duration of the public debt;
- Revenue sufficient to support annual debt service is guaranteed by the investors;
- The private investors will be solely responsible for any cost overruns and operating revenue shortfalls over the life of the facility, including funding a capitol improvement fund;
- No public funds will be committed until franchise acquisition and all environmental review and permitting processes are completed;
- The City and County will be in a first priority payment position from Arena revenues and in the unlikely event of a financial default, will have a security guarantee in the equity of the parent company for the teams and the Arena operator.

The commitment to invest upward of \$800 million of private capital in the arena and purchase of two teams represents a strong vote of confidence in the future of our city and county, especially in this challenging economic climate. It is one of the largest commitments of private capital ever made for a project like this in North America.

This proposal also represents a unique opportunity in our region's history. The existing football and baseball stadiums in the Stadium District were developed as part of a community effort to

keep our sports teams from relocating to a different region. With this proposal we have a positive opportunity to embrace new professional sports teams and a significant new private investment into our community.

Even though the proposed site is zoned for sports facilities, we know that with or without this private investment traffic challenges do and will persist. A transportation study currently underway, as well as future environmental review, will help us better understand the magnitude of those challenges and identify solutions that will enable local governments, as well as beneficiaries, to address future opportunities this area holds.

And while there are challenges in the SoDo neighborhood, including freight mobility issues, let us not forget that it is the largest transportation hub in the region. Link light rail, a Sounder train line, three bus rapid transit lines, 21 Metro bus lines, nine Sound Transit Express bus lines, four ferry routes, two interstate freeways and a future deep bore tunnel converge in this neighborhood. There is no other site in the region that possesses the transportation assets that are unique to this area, which is a major reason the existing sports facilities are located there.

This proposal also offers us the opportunity to proactively address challenges Key Arena will face whether a new arena is built in Seattle or elsewhere in the region. It includes a number of potential options to keep Key Arena a thriving and dynamic part of the Seattle Center for the City to consider. Because any sports franchises acquired after the Memorandum of Understanding is approved would play in Key Arena for two seasons as the new arena is being constructed, we will have several years to fully explore these and other options by working with the Seattle Center Advisory Committee and other stakeholders.

Mr. Hansen and his investment group are committed to bringing an NBA franchise back to Seattle and attracting a new NHL franchise. This Memorandum of Understanding is the foundation upon which an exciting public-private relationship can be built that will make that possible.

We stand ready to work with the city and county councils as you consider this unique opportunity.

Sincerely,

Mike McGinn

Mayor, City of Seattle

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